

**Testimony of Dan DiMicco
Chairman, President and CEO, Nucor Corporation
Hearing on
China's Exchange Rate Policy
Committee on Ways and Means
U.S. House of Representatives
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I am Dan DiMicco, Chairman, President and CEO of Nucor Corporation. I serve on the U.S. Manufacturing Council of the Department of Commerce, the Executive Committee of the Board of the World Steel Association and am Chairman of the American Iron and Steel Institute. Thank you Chairman Levin, Ranking Member Camp and the other members of the Ways and Means Committee for your invitation to testify on the issue of China's exchange rate policy and the appropriate response from Congress and the Administration.

America is known as the land of opportunity. But for the 26 million Americans who are either unemployed or underemployed, the land of opportunity seems like an illusion. We are failing these Americans and all future generations of Americans. The policy response to the worst job situation since the Great Depression has fallen far short of what is required. We need bold measures. Passing the Currency Reform for Fair Trade Act will signal to these Americans that Congress understands the severity of their situation and is going to help.

Passing this legislation will help because this is a jobs bill, pure and simple. It will do more to stimulate the economy and create jobs than just about anything else Congress can do. And it will not add to our national debt – just the opposite. Ending China's currency manipulation will reinvigorate our manufacturing sector and our economy, reducing our budget deficit. By failing to take the lead and combat China's mercantilist trade practices, we are serving up our jobs, future economic well being, and national security on a platter.

President Reagan got it right over twenty years ago when he said "to make the international trading system work, all must abide by the rules." He made this statement the day after the Plaza Accord was signed. The world is again in need of a rebalancing, similar to that driven by the Plaza Accord. Prior to the Accord, Japanese trade policies, including currency manipulation, seriously impaired the ability of U.S. manufacturers to export and actually undermined their ability to compete in their home market. In fact, Nucor, an American company, and Yamato, a Japanese company, formed a joint venture to build a state of the art steel mill in Arkansas, an investment that was initiated because of and made possible by the Plaza Accord and the global rebalancing that followed. Much like then, we need China's economy to mature and for China to become a responsible player in the international monetary system.

Yet China refuses to play by the rules of global trade. China's practice of manipulating its currency, along with other protectionist measures, has driven up our trade deficit and is having a devastating impact on our manufacturing sector. Our trade deficit with China grew from \$30 billion in 1994 to \$256 billion in 2007. While the trade deficit shrank when the global recession began in 2008, the gap is widening again.

Currency manipulation and other predatory trade practices have also contributed greatly to the loss of 6 million manufacturing jobs over the last decade. Manufacturing employment is now at its lowest level since 1941. These jobs, with family-supporting wages, were only partially replaced by service sector jobs that pay much less. As a result, the American middle class has suffered and is in decline. The damage was masked by inflated housing prices and easy credit that fueled the deficit spending many families found necessary to maintain what they had. With the easy money gone, we are now dealing with the painful reality of our trade deficit and decimated manufacturing sector.

America is not the only country hurt by China's currency manipulation; Europe, Japan and even the poorest developing countries are also put at an unfair disadvantage. The United States and many other countries around the world have shareholder-owned companies that operate in free markets. These companies cannot compete with state-owned enterprises operated in countries that flagrantly violate the rules of trade.

When China joined the World Trade Organization, it agreed to these rules. Our relationship with China is not working today because we are not holding them accountable. Shame on us! Enforcing the agreed upon rules of global trade is an absolute necessity in order to have a competitive global market that works for everyone. Many of our trading partners continue to voice their concerns about China's currency manipulation. As the world's largest and most open economy, we need to take the lead in enforcing these rules. I believe if America leads, others will join us.

We are not against trade with China. Enforcing the rules of global trade does not mean that we will stop trading with them. In fact, a stronger Yuan will have significant long-term benefits for China. A stronger Yuan means more purchasing power for 1.3 billion Chinese, and more export opportunities for our American manufacturers, just as Chinese manufacturers benefit from American consumers.

Let me be clear, the President's goal of doubling exports in the next five years cannot be met without addressing the issue of Chinese currency manipulation. Dealing with this issue will create a healthy trading relationship between our countries and sustainable, long-term growth for both the U.S. and Chinese economies and the entire global economy.

For FAR too long our government has tried "quiet diplomacy" to address currency manipulation. This approach has failed. Passing the Currency Reform for Fair Trade Act is the type of firm and decisive action needed. This bill allows injured industries and

workers to seek a remedy under our trade laws by treating currency manipulation for what it is – an illegal export subsidy!

Predictably, critics call this legislation “protectionist” and warn it could start a trade war. We are already in a trade war; we just haven’t shown up yet. Enforcing the agreed upon rules of trade is not protectionist. Chinese practices like currency manipulation and illegal subsidies are protectionist. We must have the will to change the way we work with China. It is time to stop allowing their growth to come at our expense.

The American people get it. They know China is cheating and that this cheating is stealing their economic opportunities. All they want is for the agreed upon rules to be enforced. The 133 House members who cosponsored H.R. 2378 get it. The time for talk is over; it is time for the House to vote. We need Congress to stand up and show its support for American workers and their families by putting a stop to China’s currency manipulation.

Along with trade enforcement, it is going to take a public/private cooperative effort and strategy comparable to World War II and the Apollo program rolled into one to create the 25 million jobs we need over the next five years to put Americans back to work and ensure a strong economic future. The investments we made during and following World War II created decades of American prosperity and drove the growth of our middle class.

We also need to develop a national manufacturing strategy, make substantial investments in our infrastructure and increase our production of all domestic energy sources. These investments will help reinvigorate our manufacturing base and create a prolonged period of prosperity for future generations. We must once again be a nation that makes and builds things! Let’s seize this opportunity as one country – the government and private sector working together – to overcome the greatest economic crisis since the Great Depression. Thank you.